

***United States Court of Appeals
for the Second Circuit***



**APPELLANT'S
REPLY BRIEF**

ORIGINAL

76-7153

United States Court of Appeals
FOR THE SECOND CIRCUIT

REBOUND SYSTEMS, INC.,

Plaintiff-Appellant,

—against—

MATCHPOINT INDUSTRIES, INC.,

Defendant-Appellee.

PLAINTIFF-APPELLANT'S REPLY BRIEF

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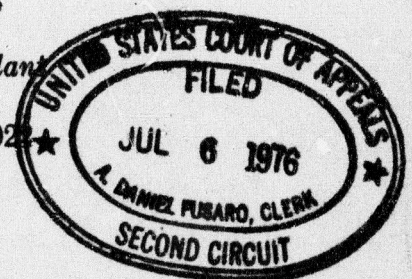


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UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

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REBOUND SYSTEMS, INC.,	:	
	:	
Plaintiff-	:	
Appellant,	:	
	:	Docket No. 76-7153
	:	
-against-	:	
	:	
MATCHPOINT INDUSTRIES, INC.,	:	
	:	
Defendant-	:	
Appellee.	:	

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PLAINTIFF-APPELLANT'S REPLY BRIEF

Plaintiff-appellant Rebound Systems, Inc.
("Rebound") submits this brief in reply to defendant-
appellee Matchpoint Industries, Inc.'s ("Matchpoint")
brief.*

Rather than clarifying the issues on appeal,
Matchpoint's brief confuses them by improperly introducing
facts not supported by the record, drawing erroneous

*References to Matchpoint's brief often appear as
"(Mchpt Bf _____)". As in our brief in support of
our appeal ("Appeal Brief") references to the Appendix
are made "(___a)".

conclusions from admitted facts, and propounding legal principles unsupported by authority.

Matchpoint's most serious transgression by far is the liberties it takes with the record. As a result Matchpoint's entire brief speaks to non-issues. Interestingly, even if the facts are as Matchpoint wistfully suggests, proper application of authority would still result in reversal of the District Court's finding of no jurisdiction.

Since Matchpoint's entire house of cards is laid upon the foundation of its unsupported facts, we first discuss below the record, and the facts that can legitimately be drawn therefrom. We next discuss the two points raised on this appeal: whether Matchpoint has transacted business in New York State sufficient to subject it to jurisdiction pursuant to CPLR 302(a)(1), and whether Matchpoint has committed a tort subjecting it to jurisdiction pursuant to CPLR 302(a)(2) or (3).

ARGUMENT

POINT I

MATCHPOINT'S FACTS ARE NOT SUPPORTED BY THE RECORD

Matchpoint took umbrage with our factual statement. Examination of Matchpoint's factual statement and the other alleged facts interspersed throughout the remainder of its brief reveals that our principal sin was accurately reciting facts from the record (which incidentally happen to be unfavorable to Matchpoint's contentions) and omitting contentions which the record does not support. Rather than produce an all inclusive catalogue of Matchpoint's errors, we limit ourselves to a few of the more misleading transgressions.

A. Matchpoint Threatened Enforcement Of Its Patent

Throughout its brief Matchpoint reiterates a contention upon which its entire argument is founded; that Matchpoint never threatened enforcement of its patent. (Mchpt Bf. 4, 7, 11, 21-22, 25) *

* Indeed, without this assertion Matchpoint's legal arguments, and particularly the ones in which it attempts to distinguish B&J Manufacturing Company v. Solar Industries, Inc., 483 F.2d 594 (8th Cir. 1973), and in which it claims that it did not engage in tortious conduct, evaporate. Infra, Points II & III.

The record simply cannot support this contention. It is contradicted both by findings of the district court and Matchpoint's own witnesses.* (117a; 124a)

At the conclusion of the hearing on the motion to dismiss, Judge Griesa orally expounded:

"But I think that if someone like Matchpoint comes to New York and says they are going to enforce their patent rights and write letters of the kind we have in these October 21 and October 29 '74, certified mail, that is just not idle chatter and it would seem to me it raises the issue" (117a) (Emphasis added)

And in its opinion the court concluded:

"At these meetings Kennington indicated to Jacobson that Matchpoint intended to enforce its patent rights." (124a) (Emphasis added)

These factual findings were fully supported by the record. (E.g., 54a-55a, 68a-69a, 116a) Indeed the court had to look no further than the testimony of Matchpoint's chief executive officer David Kennington:

* Matchpoint musters a single equivocal Kennington averment that "At no time was litigation discussed" (25a), which was later substantially contradicted by his own testimony quoted in the text above.

"THE COURT: What did you say to [Tensor's Monroe]? You intended to enforce it?

THE WITNESS: Yes, we intend to enforce the patent that had been granted to Matchpoint.

* * * *

THE COURT: What did you say to [Rebound's] Mr. Jacobson?

THE WITNESS: Basically the same thing that we intended to enforce the patent. Mr Jacobson was inquiring as to whether he could obtain a license under Matchpoint patent.

THE COURT: And you said that you intended to enforce your patent rights, right?

THE WITNESS: Yes, we intended to enforce the patent." (116a)

Both Tensor's Monroe and Matchpoint's Jacobson also testified to the threats of patent enforcement. (54a-55a; 69a) For example, Tensor's Monroe swore that Kennington stated:

"Matchpoint Industries, Inc. had offered to manufacture and assemble the pressurized container apparatus for Rebound Systems, Inc. and that if Rebound did not accept this proposal, Matchpoint would sue Rebound for infringement of its patent." (54a) (Emphasis added)

Other evidence of Matchpoint's threats abound in the record. Matchpoint's initial October 21 and 29, 1974 letters to Tensor and Rebound constituted an obvious implied threat of patent infringement. In carefully drawn language Matchpoint's patent attorney stated:

"From the information at hand it appears that your 'Rebound' may incorporate the functional design of the 'bouncer' device". (27a)

Matchpoint's attorney also referred to the recently allowed claims in its patent application and enclosed them for Rebound's "review". (26a-27a)*

The apprehension that these letters caused is attested to both by Rebound's Dubner and Jacobson, and Rebound's potential distributor Tensor. (50a-52a; 58a-59a; 67a) In fact, practically on this letter alone Tensor decided to discontinue its potentially profitable distributorship agreement with Rebound (52a).

There were also additional oral threats of patent enforcement. Tensor was told by a Matchpoint officer that "Matchpoint . . . intended to enforce its patent against

* Much less threatening conduct than those letters has been held to constitute a sufficient threat to give rise to a "case and controversy" under the Declaratory Judgment Act. E.g., Muller v. Olin Mathieson Chemical Corp., 404 F.2d 501 (2d Cir. 1968); Broadview Chem. Corp. v. Loctit Corp., 417 F.2d 998 (2d Cir. 1969), cert. denied, 397 U.S. 1064 (1970); Blessing Corp. v. Altman, 373 F.Supp 802 (S.D.N.Y. 1974). Indeed, Matchpoint did not move to dismiss this action for lack of a judicable controversy. Its argument that it did not threaten patent enforcement thus seems a bit incongruous.

Rebound . . . and that Tensor would be involved in such litigation if they distributed the apparatus." (53a) In addition, both Matchpoint and its exclusive sales agent Unique, threatened numerous other customers and potential customers of Rebound. (62a)

In sum, the record leaves only one conclusion: Matchpoint threatened enforcement of its patent.

B. Matchpoint Engaged in Substantial and Continuous Contacts with New York

We asserted in our Appeal Brief that Matchpoint engaged in a continuous series of transactions touching New York over a period of 7 months. These contacts included personal visits not only to Rebound, but its potential distributor Tensor. They also included numerous letters and telephone calls.

Matchpoint attempts to minimize the importance of these contacts through two ruses. The first is a claim that the only contact it initiated was its initial letter threats of October 21 and 29, 1974. (Mchpt Bf 10) However, no amount of rhetoric can obscure the clear fact that the ensuing months of personal visits, letters and telephone calls sprung from those initial two letters.

We do not understand how Matchpoint can argue otherwise. However, one need not rely on logic alone to disprove Matchpoint's contention. For example, in the very first contact after the initial letter threats, Matchpoint's attorney requested Rebound's attorneys to respond as to its intentions regarding Matchpoint's previous threats. (30a)

There is no shortage of other evidence that Matchpoint's other New York activities were voluntary and purposeful. Matchpoint's Kennington traveled to New York not only voluntarily, but also at his own suggestion. (54a; 68a; 106a) When questioned about the arrangements for his trip to New York Kennington testified:

"Q. Mr. Kennington, did you place a phone call to Mr. Monroe shortly thereafter on January 27, 1975?

A. Yes, I did.

Q. What was the substance of that telephone conversation?

A. To make an appointment to see him on a trip I was making to the East Coast."
(105a-106a)

Certainly, it was not at Rebound's insistence that Matchpoint personally visited with Rebound's potential distributor and threatened it with patent enforcement. (54a-55a)* Indeed,

* Kennington's affidavit that the visits to New York were pursuant to the request of Tensor and Rebound (24a-25a) is belied by his later testimony that these visits were at his suggestion (106a).

Rebound's Jacobson had to cancel his already ticketed trip to Texas. (68a-69a)

Second, Matchpoint tries to belittle the significance of its trip to New York by asserting that Kennington "would be visiting New York on unrelated business". (Mchpt Bf 7) We can find no support in the record for this asserted "fact", and Matchpoint has not cited any. Indeed, Kennington himself only claims that he would be on the East Coast. (106a)

C. Other Factual Errors

Matchpoint propounds numerous other "facts" which it apparently believes will help it on this appeal, but which the record does not support. Although we deem these "facts" irrelevant, we cannot permit them to go unanswered because they are set forth in an apparent attempt to impugn our client's motives.

Matchpoint contends that "Rebound decided to copy" Matchpoint's product (Mchpt Bf 4). The factual record does not touch on this issue at all. If it had, it would reveal that Rebound's device was independently designed and is superior in all respects to Matchpoint's.

Matchpoint also contends that "at the time [of the October 29 letter threat to Rebound] and indeed for some time thereafter, neither Matchpoint's attorney nor any representative of Matchpoint had seen a device manufactured by Rebound". (Mchpt Bf 4) Again, this statement finds no support in the record.*

Matchpoint also asserts that Rebound initiated suit before Matchpoint had stated that the 7 months of negotiations had all been a charade. (Mchpt Bf 7) In truth, Rebound did not file suit until after Matchpoint had telegraphed that it did not intend to license Rebound. On May 14, 1975, the day before this action was commenced, Kennington communicated that "he was unaware that Rebound Systems, Inc. was seeking a license under the Matchpoint patent and that he did not believe that Matchpoint would grant such a license regardless of the royalty payable". (70a)

* Interestingly, if this statement is accepted at face value, rather than supporting Matchpoint's position it would appear to undermine it. What better evidence of malicious intent and commercial illwill could there be than threatening to sue for infringement without making an effort to examine the "infringing" device? Infra, pp. 15-16.

POINT II

MATCHPOINT HAS TRANSACTED BUSINESS
IN NEW YORK

After reading Matchpoint's authorities on this point, it quickly becomes evident why Matchpoint misstated the record. Except for clearly inapposite decisions, all Matchpoint's cases were discussed in our Appeal Brief. As we showed there, these authorities establish that Matchpoint's contacts with New York subjects it to jurisdiction under to CPLR 302(a)(1)--transacting business.

Matchpoint apparently recognized that its purposeful contacts with New York State over a period of 7 months, including personal visits to both Rebound and its potential distributor Tensor, more than met the minimum contacts necessary to sustain jurisdiction.

Indeed, even if Matchpoint's twisted view of the facts were accurate, Matchpoint had far more contact with New York than the defendant in B&J Manufacturing Company v. Solar Industries, Inc., 483 F.2d 594 (8th Cir. 1973). There the only contact relating to the suit was letters threatening patent enforcement. There were no personal visits, no telephone calls, no subsequent letters as here.

It is no wonder that Matchpoint devotes the principal part of its brief to a futile attempt to distinguish this case.

Most of Matchpoint's arguments were raised by the district court in its opinion and amply disposed of in our Appeal Brief. Principal among these is the contention that the defendant in B&J Manufacturing had many other substantial contacts with Minnesota other than the letter threats. As we have already pointed out (Appeal Bf 20), since "the cause of action did not arise from those enumerated acts", they could not have influenced the decision.

Apparently unsatisfied with distinguishing B&J Manufacturing solely on its twisted view of that case, Matchpoint resorts to other spurious grounds. It relies upon its totally erroneous "facts" that there was no "threat of enforcement" (Mchpt Bf 21), and that "All Matchpoint's contacts with this state, save the initial letters of inquiry were initiated by Rebound or Tensor Corporation." (Mchpt Bf 22)

In final desperation Matchpoint argues that the Minnesota Statute under which B&J Manufacturing was decided is not "fully analogous with" CPLR 302(a)(1) (Mchpt Bf 19),

but that it is closer to CPLR 301 ("doing business") (Mchpt Bf 20). In misconstruing this aspect of B&J Manufacturing we believe Matchpoint has only emphasized its relevancy. CPLR 302(a)(1) and Minnesota Statutes Annotated §543.19, the section upon which the Eighth Circuit relied, are not only analogous, but are practically identical. They were both modeled upon Section 17 of the Illinois Civil Practice Act. McKinney's Consolidated Laws of New York, CPLR 302, Legislature Studies and Reports, at 95 (1972); Hunt v. Nevada State Bank, 285 Minn. 77, 98, 172 N.W.2d 292, 305 (1969), cert. denied, 397 U.S. 1010 (1970).

Matchpoint devotes the remainder of this portion of its brief to a general discussion of New York authorities, which are not particularly relevant; they expound on broad and undisputed principles of law. Most are discussed in our Appeal Brief (at 24), and those that are not are so inapposite that we need not discuss them here. Even with McKee Electric Co. v. Rauland-Borg Corp., 20 N.Y.2d 377, 283 N.Y.S.2d 34, 229 N.E.2d 604 (1967), the case upon which Matchpoint places principal reliance, Matchpoint

must resort to its fanciful facts to apply that case to the instant appeal. Matchpoint incredibly argues that "There, as here, it was the plaintiff who initiated the request to do business." (Mchpt Bf 12) As we have already proved, it is beyond peradventure that Matchpoint initiated the contacts with its October 21 and 29, 1974 letters. (26a-27a)

Matchpoint concludes the point arguing that the negotiations proved fruitless, no contract was executed, and thus jurisdiction cannot lie. (Mchpt Bf 22-24) Thus Matchpoint would have this court rule that a patentee can ensconce itself in a remote district of its own choosing by transferring the patent to a paper corporation, sally therefrom with impudence threatening patent infringement and damaging, if not destroying, its competition, and avoid attack merely by alleging its activities were "fruitless discussion."

As the Eighth Circuit correctly held in B&J Manufacturing, where the defendant traveled forth only through letters, this is not the law.

POINT III

MATCHPOINT HAS COMMITTED A TORT SUBJECTING IT TO PERSONAL JURIS- DICTION IN NEW YORK

Matchpoint's desperate plight in sustaining the decision of the district court is illustrated by its arguments on this point. We contend that the district court erroneously required that Rebound show on the motion to dismiss that Matchpoint had the requisite tortious intent to fulfill Rebound's supposed burden of a "prima facie case" on its second cause of action.

The most persuasive indictment of Matchpoint's opposition is its brief, pages 25 through 28. Rather than refuting our authorities that hold that we need not prove tortious intent at this preliminary stage, Matchpoint reviews the record in an attempt to demonstrate that "Rebound failed to establish prima facie the relevant facts [presumably including intent] to support threshold jurisdiction" (Mchpt Bf 27) In so doing Matchpoint relies upon its same discredited "facts": i.e., that Matchpoint did not threaten patent

enforcement (either in its initial letters or subsequent contacts) and that Matchpoint never inspected a device made by Rebound.*

Matchpoint also misconstrues Rebound's claim for unfair competition. Matchpoint's confusion is particularly perplexing since the claim is fully set forth in Rebound's complaint (6a; 10a-13a) and reiterated in our Appeal Brief, Point II. To repeat: the claim is that, knowing full well that its patent was invalid, not enforceable and uninfringed, Matchpoint unlawfully attempted to capitalize on its patent through intimidation and misrepresentation by malicious threats against both Rebound and its customers and a sham inducement to Rebound's potential distributor Tensor.

The two cases that Matchpoint relies upon are undoubtedly correct on their facts, but do not support Matchpoint. Indeed, United States v. Montreal Trust

*As previously mentioned, we believe this "fact" redounds to Matchpoint's detriment--it indicates that it made its threat without a justifiable basis. (Supra, note p.10).

Company, 358 F.2d 239 (2d Cir. 1966), cert. denied, 384 U.S. 919 (1966) supports our view. The government had sued a foreign individual to recover income taxes and penalties. The issue presented was whether the defendant had transacted sufficient business through agents to subject himself to personal jurisdiction. In reversing the district court's dismissal, this court found that the district court imposed on the government an overly harsh burden to prove jurisdiction.

"The District Court, in dealing with this issue at the preliminary hearing, we believe, placed a too heavy burden on the government in requiring it to establish a strong factual basis upon which jurisdiction is predicated in this case. At this early stage of the proceedings, the government should not have been required to submit proof which would, in fact, establish the validity of its claim and its right to the relief sought." 358 F.2d at 242.

This court took at face value the government's allegations that defendant fraudulently diverted corporate funds for his own purpose. Upon this allegation the court disallowed defendant's attempt to shield himself behind the corporate entity. (358 F.2d at 243) The dissent eloquently summarized the majority's rationale.

"[The majority] have actually relied upon the 'allegations' of the government and what 'the government has charged' supra note 2" 358 F.2d at 256.

The other case relied on by Matchpoint, Stanat Manufacturing Co. v. Imperial Metal Finishing Co., 325 F.Supp. 794 (E.D.N.Y. 1971), is inapplicable to the facts in this case. In Stanat the plaintiff attempted to transform a classical breach of contract action into a tort. The court concluded that this was improper. However, the contrary is true in our case. As Matchpoint itself pointed out (Mchpt Bf 17), Rebound's claim in its first cause of action is not for breach of contract, but for the statutory remedy of declaratory judgment of patent invalidity, unenforceability, and noninfringement. Moreover, Rebound's second cause of action is for a classical tort universally long recognized to be an independent valid common law cause of action. E.g., International Industries and Developments, Inc. v. Farbach Chemical Co., 241 F.2d 246 (6th Cir. 1957); Celebrity, Inc. v. Trina, Inc., 264 F.2d 956, 958-59 (1st Cir. 1959); Alamac Knitting Mills, Inc. v. Fairmoor Coat & Suit Corp., 31 Misc.2d 1023, 220 N.Y.S.2d 528 (Sup. Ct. 1961). Indeed, Matchpoint does not contend otherwise. Thus, its argument that Rebound

is attempting to bootstrap its first claim--the patent claim--is wholly without foundation; Rebound's second claim is a valid independent cause of action, often asserted even in the absence of a patent. E.g., Alamac Knitting Mills, Inc., supra.

Similarly, Matchpoint's professed ignorance of the facts without New York upon which we rely for jurisdiction under CPLR 302(a)(3) is incomprehensible. In our Appeal Brief (pages 38-39) we distinctly specified the pages in the record which show Matchpoint's tortious activities throughout the country. We also pointed out where the evidence that meets the other requirements of CPLR 302(a)(3) appears in the record. (Appeal Bf 39) Certainly these activities, all of which were aimed at Rebound, albeit some of which were directed at Rebound through its customers, were "not remote or consequential".

In sum, we can find nothing in Matchpoint's brief which in any way rebuts our contention that the district court erroneously required Rebound to prove intent.

CONCLUSION

FOR THE REASONS GIVEN ABOVE AND
IN OUR MAIN BRIEF
THE ORDER DISMISSING THE COMPLAINT
SHOULD BE REVERSED.

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United States Court of Appeals
For the Second Circuit

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Rebound Systems Inc.,

Plaintiff-Appellant

against

Matchpoint Industries Inc.,

Defendant-Appellee

State of New York, County of New York, ss.:

Raymond J. Braddick,
Plaintiff-Appellant, being duly sworn deposes and says that he is
the attorney

for the above named Plaintiff

herein. That he is over

21 years of age, is not a party to the action and resides at Levittown, New York

That on the 6th. day of July , 1976, he served the within

Reply Brief

upon the attorneys for the parties and at the addresses as specified below

Jack A. Kanz Esq.
1423 Davis Building
Dallas, Texas 75202

by depositing 3 true copies
to each of the same securely enclosed in a post-paid wrapper in the Post Office regularly main-
tained by the United States Government at
90 Church Street, New York, New York
directed to the said attorneys for the parties as listed above at the addresses aforementioned,
that being the addresses within the state designated by them for that purpose, or the places
where they then kept offices between which places there then was and now is a regular com-
munication by mail.

Sworn to before me, this 6th.

day of July , 1976.

ROLAND W. JOHNSON,

Notary Public, State of New York

No. 4509705

Qualified in Delaware County
Commission Expires March 30, 1977

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